



**FILED**

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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of Crimson  
California Pipeline L.P. (PLC-26) for Authority to  
Increase Rates for Its Crude Oil Pipeline Services.

Application No. \_\_\_\_\_

**APPLICATION**

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Dated: June 29, 2020

Attorneys for Crimson California Pipeline, L.P.

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of Crimson  
California Pipeline L.P. (PLC-26) for Authority to  
Increase Rates for Its Crude Oil Pipeline Services.

Application No. \_\_\_\_\_

**APPLICATION**

Pursuant to Section 455.3 of the California Public Utilities Code<sup>1</sup> and in accordance with Rules 2.1, 2.2, 3.2, and 7 of the Commission’s Rules of Practice and Procedure, Crimson California Pipeline, L.P. (“Crimson” or “Applicant”) respectfully requests that the California Public Utilities Commission (“Commission”) authorize Crimson to increase the rates that it charges for transportation of crude petroleum products on its KLM Pipeline System (“KLM”) by 10% as of August 1, 2020.<sup>2</sup>

Given required and proper notice to its shippers, Crimson proposes to increase each of the individual rates on KLM by 10%, thereby increasing its current average transportation rate) from \$1.2773/bbl. to \$1.4050/bbl, resulting in an estimated increase in annual revenue of approximately \$986,185. Crimson requests that the subject rate increase become effective August 1, 2020.

Concurrently with the filing of this application, Crimson has filed its

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<sup>1</sup> All statutory references are to the California Public Utilities Code unless otherwise noted.

<sup>2</sup> The KLM Pipeline System that is the subject of the requested 10% rate increase is a long-haul pipeline system consisting of approximately 295 miles of pipe running from points in the San Joaquin Valley production areas to San Francisco Bay Area refinery connections.

Advice Letter No. 39-O, similarly requesting that the currently effective rates for KLM be increased by 10 percent effective August 1, 2020, subject refund and which has been provided to the parties listed in Exhibit E hereto. Section 455.3 authorizes an oil pipeline to increase its rates by up to 10 percent upon providing 30 days' notice and without the need for prior Commission approval, provided that the increase remains subject to retroactive Commission adjustment and refund with interest, as appropriate.

**I. Background**

**1. Applicant Information Required by Rule 2.1(a)**

Applicant Crimson is a California limited partnership. Its principal place of business is 3760 Kilroy Airport Way, Suite 300, Long Beach, California 90806; its telephone number is (562) 285-4100. Its general partner is Crimson Pipeline, LLC, which is wholly owned by Crimson Midstream Operating, LLC. Crimson Midstream Operating, LLC is wholly owned by Crimson Midstream Holdings, LLC. Crimson Midstream Holdings, LLC is privately held.<sup>3</sup>

**2. Correspondence and Communication Information Required by Rule 2.1(b)**

Correspondence and communications concerning this Application should be directed to the following Crimson representative:

James D. Squeri  
Goodin, MacBride, Squeri, & Day, LLP  
505 Sansome Street, Suite 900  
San Francisco, CA 94111  
Telephone: (415) 392-7900

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<sup>3</sup> D. 10-11-019, issued November 22, 2010 in Application 10-07-024, authorized the transfer of control of CPMI which is controlled and managed by an individual, John Grier. D. 16-01-039 issued January 29, 2016 authorized the organization structure referenced in Section I.1 above, under which John Grier continues to exercise control of Crimson California Pipeline, L.P.

Facsimile: (415) 398-4321  
E-mail: [jsqueri@goodinmacbride.com](mailto:jsqueri@goodinmacbride.com)

3. **Organization and Qualification to Transact Business Documents Required by Rule 2.2**

Per Rule 2.2 of the Commission's Rules of Practice and Procedure, Crimson incorporates by reference its Certificate of Limited Partnership filed as Exhibit A of Application 04-06-002 on June 1, 2004. Crimson's Certificate of Good Standing in California is included as Exhibit A hereto.

4. **Information Required by Rule 3.2**

A. **Balance Sheet and Income Statement:**

Financial statements, including the most recently available balance sheet and income statement for Crimson, are attached as Exhibit B hereto.

B. **Statement of Presently Effective and Proposed Rates:**

Present and proposed rates for the KLM pipeline are reflected in Exhibit C. Exhibit C sets forth the following regarding each transportation movement: (1) the currently effective rate; and (2) the rate reflecting the 10% rate increase that is the subject of Crimson's Advice Letter No. 39-O.

C. **General Description of Crimson's Property and Equipment:**

Applicant Crimson has been formed as a limited partnership for the specific purpose of owning, operating, and managing smaller, marginal, or idle pipelines and providing pipeline transportation services to the public.

Crimson's KLM system consists of approximately 295 miles of pipe

running from points in the San Joaquin Valley production areas to San Francisco Bay Area refinery connections.

## **II. Justification for Requested Rate Increase**

The proposed rates, reflecting the increase proposed in Advice Letter No. 38-0 and the increase that is the subject of this Application, are anticipated to increase annual revenue by 10 % or approximately \$986,185 for the twelve-month period commencing August 1, 2020.

Exhibit D hereto, the Declaration of Robyn Kagy, sets forth the basis, as well as justification, for Crimson's Section 455.3 rate increase request, including analysis of Crimson's achieved return-assuming the 10% increase in transportation rates on the KLM pipeline. As set forth in Exhibit D, the referenced achieved analysis indicates that the proposed increases in rates (Advice Letter No. 39-O and this Application), will result in a negative return of 4.14%.

The proposed increase, supported by Crimson's forecasts and analysis, is inherently reasonable given that even with the increase in revenues anticipated by this filing Crimson will fail to realize any return on its utility investment, much less a reasonable return to which it is entitled by law.

## **III. Information Required for Rule 2.1(c) and Rule 7 Compliance**

The subject application seeks authorization, pursuant to Section 455.3 of the Public Utilities Code, for Crimson to increase the rates it charges for intrastate public utility pipeline services by ten percent over the rates that were in effect prior to the filing of Advice Letter No. 38-O and the subject application.

In conjunction with the filing of the subject application, Crimson has contacted all shippers affected by the proposed rate increases, advised them of the impact of the proposed rate increases, notified them in writing of Crimson's intent to file this application, and provided them with Commission and Crimson contacts to obtain further information about the application. The form of notice provided to shippers, as well as the list of shippers to whom the notice has been sent, is attached as Exhibit E.

**A. Proposed Category:** Crimson proposes that the application be treated as a "ratesetting" proceeding.

**B. Need for Hearing:** Hearings will be needed on this application only to the extent a material issue of fact is raised by timely protest. Accordingly, Crimson does not know whether a hearing will be required. If no hearing is required, Crimson would request that an ex parte decision approving the rate increase request be issued by the Commission by October 1, 2020. If a hearing is required, Crimson proposes a schedule as set forth below.

**C. Issues Requiring Consideration:** The sole issue raised by this application is whether Crimson's proposal to increase rates by 10% on its KLM pipeline is just and reasonable.

**D. Proposed Schedule:** Crimson proposes the following schedule:

Application Filed	June 29, 2020 <sup>2</sup>
Notice in Daily Calendar	TBD by CPUC Docket Office
Protests Due	30 Days After Daily Calendar Notice
Prehearing Conference	July, 2020
Applicant's Opening Testimony	August, 2020

Intervenor Testimony Due	September, 2020
Applicant's Rebuttal Testimony	September, 2020
Hearings	October, 2020
Concurrent Opening Briefs	November, 2020
Concurrent Reply Briefs	November, 2020
ALJ Draft Decision	December, 2020
Commission Decision	January, 2021

#### **IV. Exhibits**

As required by Commission Rules 15, 16, and 23, Crimson provides the following information and exhibits:

Exhibit A	Crimson Certificate of Good Standing
Exhibit B	Crimson Financial Statements
Exhibit C	Current and Proposed Rates
Exhibit D	Declaration of Robyn Kagy in Support of Rate Increase
Exhibit E	List of Shippers and Interested Parties

**WHEREFORE,** Crimson requests:

1. That the Commission issue an opinion and order approving the requested increase in Crimson's crude oil pipeline tariff rates as quickly as is practicable; and
2. That the Commission grant such other and further relief as shall be just and proper. Crimson is prepared to review the analysis and forecasts supporting this filing with Staff upon request.

Respectfully submitted this 29<sup>th</sup> day of June, 2020 at San Francisco,  
California.

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By /s/ James D. Squeri  
James D. Squeri

Attorneys for Crimson California  
Pipeline L.P.

3079/004/X217721.v1



**VERIFICATION OF COUNSEL**

I, James D. Squeri, declare:

I am an attorney at law duly admitted and licensed to practice before all courts of this state and I have my professional office at Goodin, MacBride, Squeri & Day, LLC, 505 Sansome Street, Suite 900, San Francisco, California 94111.

I am an attorney for Applicant, Crimson California Pipeline, L.P., in the above-entitled matter.

No officer of Crimson California Pipeline L.P. is present in the county in which I have my office and for that reason I am making this verification on behalf of Crimson California Pipeline, L.P.

I have read the foregoing Application and know its contents thereof.

I am informed and believe that the matters stated therein are true and, on that ground, I allege that the matters stated therein are true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed at San Francisco, California on this 29th day of June, 2020.

/s/ James D. Squeri  
James D. Squeri

## EXHIBIT A

# State of California

## Secretary of State

### CERTIFICATE OF STATUS

ENTITY NAME: CRIMSON CALIFORNIA PIPELINE, L.P.

FILE NUMBER: 200405400002  
FORMATION DATE: 02/20/2004  
TYPE: DOMESTIC LIMITED PARTNERSHIP  
JURISDICTION: CALIFORNIA  
STATUS: ACTIVE (GOOD STANDING)

I, ALEX PADILLA, Secretary of State of the State of California, hereby certify:

The records of this office indicate the entity is authorized to exercise all of its powers, rights and privileges in the State of California.

No information is available from this office regarding the financial condition, business activities or practices of the entity.



IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of April 13, 2020.

ALEX PADILLA  
Secretary of State

## EXHIBIT B

Report Name: Internal KLM Balance Sheet

Crimson California KLM  
Balance Sheet Summary  
Tuesday, December 31, 2019

ASSETS

Current Assets:	
Cash and cash equivalents	-
Accounts receivable - trade	862,208
Accrued accounts receivable	21,543
Prepaid and other current assets	392,472
Total current assets	<u>1,276,223</u>
Property and Equipment:	
Carrier property	
Total carrier property	58,627,804
Less: accumulated depreciation	(11,084,838)
Total carrier property, net	<u>47,542,966</u>
Construction in progress	1,240,127
Total Property and Equipment, net	<u>48,783,093</u>
Total Assets	<u><u>\$50,059,316</u></u>

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:	
Accounts payable - trade	238,609
Accrued liabilities and other current liabilities	806,101
Total Current Liabilities	<u>1,044,710</u>
Total Liabilities	<u>1,044,710</u>
Members' Equity	
Equity	121,903,542
Retained earnings	(72,888,936)
Total Members' Equity	<u>49,014,606</u>
Total Liabilities and Members' Equity	<u><u>\$50,059,316</u></u>

Report Name: Internal KLM P&L 12 Month  
view

Crimson California KLM  
Profit and Loss Monthly  
Tuesday, December 31, 2019

<b>REVENUES</b>	
Transportation	\$10,492,569
Other revenue	48,365
<b>Total Revenues</b>	<b>10,540,934</b>
<b>EXPENSES</b>	
Operating expenses	
Labor and Benefits	3,152,393
Materials and Supplies	80,482
Field Office	32,435
Asset Maintenance	1,606,386
Outside Services	814,831
Utilities and Power	1,444,926
Right of Way	5,528
Regulatory, Environmental and Safety	386,872
Pipeline Release	28,837
Insurance and Bonds	805,540
Taxes	646,397
Other Expenses	300,177
<b>Total Operating Expenses</b>	<b>9,304,805</b>
<b>General and Administrative Expenses</b>	
Labor and Benefits	1,210,519
Office Expenses	309,446
Professional Services	454,368
Insurance and Bonds	21,178
Taxes	11,017
Other Expenses	92,299
<b>Total General and Administrative Expenses</b>	<b>2,098,828</b>
<b>Total Expenses</b>	<b>11,403,633</b>
<b>OTHER INCOME (EXPENSE)</b>	
Gain (loss) on disposal of assets	19,587
Miscellaneous income (expense)	1,097
Depreciation expense	(1,416,730)
<b>NET INCOME (LOSS)</b>	<b>(\$2,258,745)</b>

## EXHIBIT C

## Crimson California Pipeline L.P. - KLM

10% increase; rates in cents per barrel

Current Tariff	P/L - Route	Current Rate, cpb	AL 39-O	Increase, %
			Proposed Rate, cpb	
Cal. PUC 204.1	Buena Vista Area (Kern County) - Bay Area Refineries	146.67	161.34	10%
Cal. PUC 204.1	Signa Station - Bay Area Refineries	146.67	161.34	10%
Cal. PUC 204.1	Midway Station - Bay Area Refineries	137.45	151.20	10%
Cal. PUC 204.1	Derby Acres - Bay Area Refineries	132.83	146.11	10%
Cal. PUC 204.1	Cymric Area - Bay Area Refineries	128.34	141.17	10%
Cal. PUC 204.1	Belridge Station - Bay Area Refineries	119.11	131.02	10%
Cal. PUC 204.1	Lost Hills/Cahn - Bay Area Refineries	110.01	121.01	10%
Cal. PUC 204.1	Kettleman Station - Bay Area Refineries	100.77	110.85	10%



## EXHIBIT D

### **DECLARATION OF ROBYN KAGY**

1. My name is Robyn Kagy. I am Business Development Manager for Crimson California Pipeline L.P. (“Crimson”). On June 29, 2020, Crimson filed Advice Letter 39-O requesting authority to increase by ten percent its rates for transportation of crude oil on its KLM (“KLM”) system, which consists of approximately 300 miles of active pipeline connecting various producing fields in the San Joaquin Valley to refiners in the Bay Area.
2. By this declaration, I provide the Commission with information regarding recorded throughput on its KLM system for years 2017, 2018, and 2019. Crimson’s KLM system transported approximately 12.6 million barrels in 2017, 10.7 million barrels in 2018, and 7.7 million barrels in 2019.
3. For the period 2020-2021, Crimson forecasts that throughput on the KLM system will further decline.
4. Based upon declining throughput and other factors, Crimson’s analysis of its achieved return reflecting the proposed increase in rates that is the subject of this application, indicates a negative return of 4.14%, as shown in Attachment A hereto.

The foregoing declaration is submitted under penalty of perjury in accordance with the laws of the State of California.

Dated: June 29, 2020

/s/ Robyn Kagy

Robyn Kagy

## Attachment A

	12 Months Ended Dec. 31, 2019	Proposed % Change	Test Year Adjustments	Test Year @ Rate Increase 10%	NOTES
1 Transportation Volume	7,720,857	0.00%	0	7,720,857	FY2019 volumes (excl WSJ volume)
2 Average Transportation Rate	\$1.2773	10.00%	\$0.1277	\$1.4050	FY2019 average rate
3 Tariff Revenues	\$9,819,584		\$986,185	\$10,805,769	FY2019 actual transportation revenues (excl WSJ transportation rev)
4 Other Revenues	\$48,365		\$0	\$48,365	FY2019 actual other revenues
5 Total Revenues	<u>\$9,867,949</u>		<u>\$986,185</u>	<u>\$10,854,134</u>	sum #3 and #4
6 Operating Expenses				\$10,746,219	FY2019 actual expenses (opex & G&A)
7 Property and Other Taxes				\$657,414	FY2019 taxes
8 Depreciation				\$1,416,730	FY2019 depreciation
9 Income Tax Expense				\$0	
10 Amortization of AFUDC				\$0	
11 Total Expenses				<u>\$12,820,363</u>	sum #6 thru #10
12 Achieved Return				-\$1,966,229	subtract #11 from #5
13 Interest Expense				\$0	
14 Net Achieved Return				<u>-\$1,966,229</u>	sum #12 and #13
15 Rate Base				\$47,542,966	2019 balance sheet (net carrier property)
16 Rate of Return on Rate Base				-4.14%	#12 divided by #15
17 Rate of Return on Equity				-4.14%	#14 divided by #15

## EXHIBIT E

## Service List

### Digital Distribution

Valero Energy Corporation  
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[Dawn.brake@valero.com](mailto:Dawn.brake@valero.com)

Valero Energy Corporation  
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**Attachment A (continued)**